

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, :

*Plaintiff,* :

-v.- :

OLEKSANDR DOROZHKO :

*Defendant,* :

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Case No. 07 CIV 9606 (NRB)

**DECLARATION OF STEPHEN P. GLASCOE**

I, Stephen P. Glascoe, pursuant to 28 U.S.C. 1746, declare as follows:

1. I am a Market Surveillance Specialist in the Office of Market Surveillance, Division of Enforcement, of the United States Securities and Exchange Commission (the "SEC"). As part of my daily surveillance activities, I review trading activity prior to major news announcements involving companies that have securities that trade on United States markets. I submit this declaration in support of Plaintiff Securities and Exchange Commission's Memorandum of Law in Reply to Defendant Dorozhko's Opposition to Plaintiff's Motion for Preliminary Injunction and Other Equitable Relief and Opposition to Defendant's Motion to Dismiss. The facts set forth herein are based upon my personal knowledge or upon information contained in the files of the Commission.
2. On October 22, 2007, the staff of the SEC's Division of Enforcement (the "Staff") received a referral from the Options Regulatory Surveillance Authority ("ORSA") concerning trading by Oleksandr Dorozhko in options on the common stock of IMS

Health Incorporated (“IMS Health” or the “Company”) before the Company’s negative third-quarter 2007 earnings announcement on October 17, 2007.

3. On October 31, 2007, the Staff requested that I review the trading in the IMS Health put options that occurred on October 17, 2007 and October 18, 2007.
4. IMS Health is a Delaware corporation with its principal place of business in Norwalk, Connecticut. The Company provides market research to the pharmaceutical and healthcare industries. IMS Health’s common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act of 1934 and is listed for trading on the New York Stock Exchange under the symbol RX. The Company’s stock options are listed for trading on the Chicago Board Options Exchange, American Stock Exchange, Philadelphia Stock Exchange, International Securities Exchange, NYSE Arca (formerly the Pacific Stock Exchange), and Boston Stock Exchange.
5. The Staff obtained the trading records for the account at Interactive Brokers LLC (“Interactive Brokers”) in the name of Mr. Dorozhko and in which Mr. Dorozhko purchased IMS Health put options on October 17, 2007, and sold the same options on October 18, 2007.
6. Interactive Brokers provided the raw feed data from Mr. Dorozhko’s account to the Staff. This raw data included, among other things, the name of the option, the time of the order, the terms of the order, the time of the trade, a designation indicating whether the transaction was a purchase or sale, the execution price, and the number of contracts traded. Interactive Brokers also provided an audit trail document reflecting all activity in Mr. Dorozhko’s account at Interactive Brokers on October 17, 2007 and October 18, 2007 and account statements for those dates.
7. I reviewed the records provided by ORSA and Interactive Brokers.

8. I also obtained information about the price and volume of trading in IMS Health securities and options, as well as information about the prices of the securities and options, from commonly relied-upon financial resources, such as Bloomberg.
9. During my review of the Dorozhko account's trading records, I identified purchase and sale orders and transactions by Mr. Dorozhko. A total of 630 put option contracts were purchased on October 17, 2007 on the common stock of IMS Health. The position was liquidated the following day, on October 18, 2007. Mr. Dorozhko's trades in IMS Health put options were the only trades in his account at Interactive Brokers on these dates.
10. A put option is a contract that provides the buyer the right, but not the obligation, to sell an agreed quantity of an underlying security by a date (the expiration date) for a certain price (the strike price). The buyer of a put option generally expects the market price of the underlying security will decline, allowing the buyer of the put option to make a profit from the difference between the strike price (less the cost of the option) and the lower market price. A put option is in-the-money if the strike price is more than the market price of the underlying security. A put option is out-of-the-money if the strike price is less than the market price of the underlying security. In U.S. markets, each put option contract generally requires delivery of 100 shares of the underlying stock.
11. It is customary to refer to an option contract series by the month in which the option expires and the option's strike price. As used herein, "Oct 25" refers to the option contracts expiring on October 20, 2007 with a strike price of \$25.00; "Oct 30" refers to the option contracts expiring on October 20, 2007 with a strike price of \$30.00.

12. The option contracts that Mr. Dorozhko purchased on October 17, 2007 would have expired and become worthless on October 20, 2007 if IMS Health's stock price remained above the strike prices of \$25.00 and \$30.00, respectively. American-style option contracts expire on the Saturday following the third Friday of the month. Friday, October 19, 2007, was the last day that Mr. Dorozhko could have sold them before they expired. Therefore, the put options Mr. Dorozhko purchased on October 17, 2007, could only be traded for two days.
13. On October 17, 2007, Mr. Dorozhko purchased 300 Oct 25 out-of-the-money IMS Health put option contracts at a price of \$0.10 per contract, costing \$3,000, excluding commissions paid. These contracts gave Mr. Dorozhko the right, but not the obligation, to sell 30,000 shares of IMS Health stock at the option's strike price of \$25.00. At the time of the trades, the market price of IMS Health's common stock was approximately \$30.00. The put options would only become valuable if the IMS Health's stock price fell approximately 20% from about \$30.00 per share to under the strike price of \$25.00 on or before their expiration on October 20, 2007.
14. Also on October 17, 2007, Mr. Dorozhko purchased another 330 Oct 30 at-the-money IMS Health put options at prices between of \$1.08 and \$1.20 per contract, costing \$38,225.00, excluding commissions paid. These contracts gave Mr. Dorozhko the right, but not the obligation, to sell 33,000 shares of IMS Health stock at the option's strike price of \$30.00 on or before October 20, 2007. The put options would only become valuable if the IMS Health's stock price was trading below the strike price of \$30.00 on or before their expiration on October 20, 2007.

15. The total cost of the IMS Health put options purchased by Mr. Dorozhko on October 17, 2007, excluding commissions, was \$41,225, approximately 97% of the cash value of his account at the time of \$42,500.
16. Mr. Dorozhko's put option purchases represented almost 96% of the reported volume of the Oct 25 put option series (311 contracts) and 79% of the reported volume of the Oct 30 put option series (420 contracts) on October 17, 2007.
17. On October 17, 2007, IMS Health's stock closed at \$29.56 per share and the trading volume was 832,500 shares.
18. According to the news reports attached as Exhibit A, after the market closed on October 17, 2007, IMS Health reported third quarter earnings of \$0.29 per share on a GAAP basis, which was 28% below the analysts' consensus estimates of approximately \$0.40 earnings per share and 15% below earnings of \$0.34 per share reported by IMS Health for the same quarter the previous year.
19. On the following day, October 18, 2007, IMS Health's stock price fell to a 52-week low of \$21.20 per share, 28% lower than the previous day's closing price of \$29.56.
20. IMS Health's stock closed at \$23.12 per share on October 18, 2007, a decline of approximately 22% from the previous day's closing price of \$29.56. The trading volume was more than 23 million shares, representing an increase of more than 2,735% from the previous day's trading volume.
21. Following the release of IMS Health's adverse earnings results on October 17, 2007, the price of IMS Health's common stock opened at \$22.75, down \$6.81 from the previous day's close. This decline made Mr. Dorozhko's IMS Health put options significantly more valuable, as they gave him the right to sell up to 30,000 shares of IMS Health stock for \$25.00 per share and 33,000 shares of IMS Health stock for

\$30.00 per share, even though shares of IMS Health stock were trading on the market for only approximately \$21.00-\$24.00 per share.

22. On October 18, 2007, Mr. Dorozhko sold all of his IMS Health put options and realized proceeds from the sale of over \$328,000.
23. Mr. Dorozhko sold all 300 Oct 25 put options that he had bought the day before for \$0.10 per contract for prices between \$2.05 and \$2.70 per contract. Mr. Dorozhko received total proceeds from the sale of the Oct 25 put options of \$69,761.00 before commissions.
24. Mr. Dorozhko sold all 330 Oct 30 put options that he had bought the day before for an average price of approximately \$1.17 per contract for prices between \$7.20 and \$8.40 per contract. Mr. Dorozhko received total proceeds from the sale of the Oct 30 put options of \$258,810.00 before commissions.
25. Mr. Dorozhko purchased and then sold all of his IMS Health put options within a less than twenty-four hour time period, maintaining the position only for the short period before and after the Company's earnings announcement.
26. Based upon information from Interactive Brokers, I calculated the profits that Mr. Dorozhko realized from his trading in IMS Health put options. I calculated Mr. Dorozhko's cost basis in purchasing the Oct 25 and Oct 30 put options, exclusive of commissions. Mr. Dorozhko's cost basis in the Oct 25 and Oct 30 put options was \$41,225.00. I subtracted the cost basis from the total proceeds Mr. Dorozhko received from the sale of the put option contracts, exclusive of commissions, \$328,571.00.

27. As a result of the purchase of 630 Oct 25 and Oct 30 put options on October 17, 2007 and the sale of those put options on October 18, 2007, Mr. Dorozhko realized profits of \$287,346.00, exclusive of commissions.

28. Mr. Dorozhko's profits of \$287,346.00 represents a return of 697% on his investment.

I declare under penalty of perjury that the foregoing is true and correct.

  
Stephen P. Glascoe

Executed on November 9, 2007  
Washington, D.C.

# EXHIBIT A

<MENU> to return to headlines.

Equity**CN**

Search	GO	Options	Related Info	DJN Oct17 2007 16:50:43
DJ IMS Health 3Q Net Falls 18% >RX				Page 1/1

#### DOW JONES NEWSWIRES

IMS Health Inc. (RX) on Wednesday said its third-quarter profit fell 18%, hurt by a tax provision, while its sales climbed on solid gains for its health-care market information.

IMS reported net income of \$57.1 million, or 29 cents a share, down from net income of \$69.3 million, or 34 cents a share, in last year's same period.

IMS, of Norwalk, Conn., said revenue rose 12% to \$538.8 million.

Analysts surveyed by Thomson Financial had expected, on average, earnings of 40 cents a share and revenue of \$532.7 million.

-Matt Andrejczak; 415-439-6400; AskNewswires@dowjones.com

(END) Dow Jones Newswires

10-17-07 1650ET

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Search	GO	Options	Related Info	BN Oct 17 2007 16:50:10
IMS Health Adjusted EPS 36c vs 40c Estimate (Table)				Page 1/2

Oct. 17 (Bloomberg Data) -- IMS Health Inc. reported quarterly results for the period ended Sep. 30, 2007. The following table displays earnings figures along with consensus mean estimates. Actual values may differ from those included in company reports to make them comparable. All numbers are in millions of dollars except for per-share earnings, quoted in dollars.

	Actual 9/30/07	Estimates 9/30/07	# Estimates 9/30/07	% Surprise 9/30/07
Sales	538.800	533.493	8	1.0%
Net Income Adjusted	70.988	78.129	6	-9.1%
EPS Adjusted	.360	.398	9	-9.5%
Net Income GAAP	57.100	76.292	3	-25.2%
EPS GAAP	.290	.386	5	-24.9%

-- Jason Frentzel in Princeton +1-609-279-5124 or [jfrentzel@bloomberg.net](mailto:jfrentzel@bloomberg.net)

Story illustration: For an overview of analysts' earnings and sales estimates, see [RX US Equity EEO<GO>](#). For a more detailed table of estimates, see

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410  
 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2007 Bloomberg L.P.  
 09-Nov-2007 10:25:12

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Search	GO	Options	Related Info	BN Oct 17 2007 16:50:10
IMS Health Adjusted EPS 36c vs 40c Estimate (Table)				Page 2/2
RX US Equity EEB<GO> . For an overview of earnings surprises see				
RX US Equity SURP<GO> .				
-0- Oct/17/2007 20:50 GMT				